

# Transamerica High Yield Muni

Class A THAYX | Class I THYIX

## Investment Objective

The fund seeks to maximize total return through investment in medium- and lower-grade municipal securities that are exempt from federal income tax.

## Sub-adviser

Belle Haven Investments, L.P. (Belle Haven)



## Portfolio Manager

Matthew Dalton

## Product Profile

An actively managed strategy that seeks to identify inefficiencies in the municipal bond market with the goal of maximizing total return by investing primarily in medium-to-lower-grade fixed income securities

- ➔ Opportunistic and tactical management within municipal bond market
- ➔ Focus on achieving total return
- ➔ Tax-advantaged income

## Fund Facts

Inception Date (A-I)	07/31/13 - 07/31/13
Benchmark Index	Bloomberg Barclays High Yield Municipal Bond Index
Morningstar Category	High Yield Muni
Lipper Category	High Yield Municipal Debt Funds
Dividend Frequency	Monthly

**This material was prepared for general distribution. It is being provided for informational purposes only and should not be viewed as an investment recommendation. If you need advice regarding your particular investment needs, contact your financial professional.**

## Market Overview

The story of the fourth quarter of 2017 was tax reform and municipal issuance. The market spent much of November and early December evaluating the potential outcomes of the House and Senate tax bills, which, in the end brought few surprises. With the expected (and later confirmed) repeal of advance refunding bonds, issuers rushed to market in the latter part of the quarter, looking to take advantage of the refunding benefits before new law was enacted. As a result, \$64 billion bonds were issued in December, which was the largest month of issuance ever. Similarly, this rise in issuance resulted in the quarter coming in at the highest level of Q4 supply in the last twenty years. Muni issuance in December was up 47% month-over-month and 230% year-over-year. Though fund flows turned negative in December, increased supply was met with sustained demand as year to date muni inflows totaled \$24 billion. The muni curve also continued to flatten throughout the quarter, a trend seen for most of 2017.

## Fund Overview

Transamerica High Yield Muni Class I underperformed the benchmark for the quarter +1.79% versus +1.83%, although it slightly outperformed in the month of December, +1.40% versus +1.30%. YTD Class I underperformed the benchmark +9.67% versus +9.69%. One of the primary detractors to performance this quarter was the fund's relative exposure to the Tobacco sector. As of the end of the quarter, the fund held a 9% weighting to Tobacco-related issues, whereas the index held over 21% exposure in the sector. Continuing a trend seen throughout 2017, the Tobacco sector was the top-performing sector in December and one of the top-performing sectors in the fourth quarter, returning 2.05% in December and 2.91% in Q4. Another contributing factor to the fund's underperformance this quarter is its allocation to higher-rated credits. The fund was overweight investment grade credits by nearly 60%, during a time when credit spreads were tightening. Additionally, the fund held a slightly shorter duration than the index, during a time in which the long end of the curve outperformed the short end.

## Outlook

With a record issuance month in December, many are anticipating a lighter-than-normal start to 2018. It has been estimated that nearly \$40 billion in issuance was pulled from 2018 into the fourth quarter as a result of advanced refundings being repealed from tax law. With supply expected to be muted for the near-future, Belle Haven believes that the supply/demand technicals will prove to be favorable for munis. Though fund flows were lower than the year prior, 2017 saw inflows of about \$24 billion, and Belle Haven expects fund flows to continue to be positive. Though municipal demand from corporations is expected to weaken due to the new lower corporate tax rate, Belle Haven does not expect to see any real selling from them, especially since their exposure to munis is still rather low. Additionally, Belle Haven believes demand will persist due to the larger supply of AAA and AA-rated municipal bonds relative to corporate bonds, as well as demand from those who are looking to diversify their portfolios, including foreign investors.

All opinions, estimates, projections and security selections contained herein are those of the sub-adviser. It does not constitute investment advice and should not be used as a basis for any investment decisions.

There are no sales charges on Class I. Class I shares are primarily offered for investment to institutional investors including, but not limited to, fee-based programs, pension plans, and certain endowment plans and foundations.

**Not insured by FDIC or any federal government agency. May lose value.  
Not a deposit of or guaranteed by any bank, bank affiliate, or credit union.**

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## 30-Day SEC Yield

Class A – Subsidized	<b>2.70%</b>
Class A – Unsubsidized	<b>2.60%</b>

## Fixed Income Statistics

Average Price	<b>\$102.90</b>
Average Maturity	<b>10.88 years</b>
Average Duration	<b>6.96 years</b>

Source: Belle Haven

The **30 day SEC Yield** is computed in accordance with a standardized method prescribed by rules of the SEC. The 30 day SEC Yield is computed by dividing the fund's investment income per share earned during a particular 30 day base period by the maximum offering price per share on the last day of the base period, and then annualizing the result. The 30 day SEC Yield is calculated at each month end and updated within the first ten business days of the following month. The subsidized 30 day SEC yield reflects the reimbursements or waivers of certain expenses. Had fees not been waived and/or expenses reimbursed, the yield would be lower. The unsubsidized 30 day SEC yield does not reflect reimbursements or waivers of expense fees.

Average Maturity is computed by weighting the maturity of each security in the portfolio by the market value of the security, then averaging these weighted figures. Average Duration is a time measure of a bond's interest rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.

**The performance data presented represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Please see transamerica.com for performance data current to the most recent month-end. The investment return and principal value of mutual funds will fluctuate over time so that shares, when redeemed, may be worth more or less than their original cost.**

**Net asset value (NAV) returns include reinvestment of dividends and capital gains but do not reflect the deduction of any sales charges. If a sales charge had been deducted, the results would have been lower. Public offering price (POP) returns include reinvestment of dividends and capital gains and reflect the maximum sales charge of 3.25%. Performance for other share classes will vary.**

**The gross expense ratios for this fund are 1.01% and 0.79% for Class A and Class I shares, respectively. The net expense ratios for this fund are 0.88% and 0.76% for Class A and Class I shares, respectively. Contractual arrangements have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2018.**

Performance figures reflect any fee waivers and/or expense reimbursements by the Investment Manager. Without such waivers and/or reimbursements, the performance would be lower. Future waivers and/or reimbursements are at the discretion of the Investment Manager.

The Bloomberg Barclays High Yield Municipal Bond Index (BB High Yield Municipal Index) is an unmanaged index used as a general measure of market performance. It is not possible to invest directly into an index. Calculations assume dividends and capital gains are reinvested and do not include any managerial expenses.

Municipal bond prices can rise or fall depending on interest rates. Interest rates may go up, causing the value of the fund's investments to decline. All municipal bonds carry credit risk that the issuer will default or be unable to make timely payments of interest and principal. Generally, lower rated bonds carry more credit risk. High-yield bond (junk bonds) funds may be subject to greater volatility and risks as the income derived from these securities is not guaranteed and may be unpredictable and the value of these securities tends to decline when interest rates increases. The fund is classified as "non-diversified," which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund. To the extent the fund invests its assets in fewer issuers, the fund will be more susceptible to negative events.

**Mutual Funds are sold by prospectus. Before investing, consider the funds' investment objectives, risks, charges, and expenses. This and other important information is contain in the prospectus. Please go to [www.transamerica.com](http://www.transamerica.com) or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.**

Transamerica Funds are advised by Transamerica Asset Management, Inc. and distributed by Transamerica Capital, Inc.  
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## Top 10 Holdings

	% of Holdings
New York Counties Tobacco Trust VI, Series C, 3.75%, due 06/01/2045	2.56
City of La Vista, 3.25%, due 07/15/2042	2.40
City of Port St. Lucie, 3.25%, due 07/01/2045	2.25
Housing Development Corp., Series C1A, 3.45%, due 05/01/2050	2.18
County of Scioto, 3.50%, due 02/15/2038	1.73
Illinois Finance Authority, Series A-1, 4.50%, due 12/01/2052	1.61
Western Illinois Economic Development Authority, 4.00%, due 06/01/2036	1.47
East Chicago Sanitary District, 4.00%, due 07/15/2031	1.34
Housing & Redevelopment Authority of The City of St. Paul, Series A, 5.00%, due 07/01/2036	1.20
Sutter Butte Flood Agency, BAM, 3.50%, due 10/01/2030	1.16
<b>Percentage of total portfolio</b>	<b>17.90</b>

Holdings are subject to change and are not recommendations to buy or sell a security. Holdings excludes net other assets (liabilities).

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr	10 Yr	Inception*
Class A (at NAV)	1.84	9.52	9.52	5.02	N/A	N/A	8.14
Class A (at POP)	-1.48	5.96	5.96	3.86	N/A	N/A	7.33
Class I (at NAV)	1.79	9.67	9.67	5.17	N/A	N/A	8.34
BB High Yield Municipal Index	1.83	9.69	9.69	4.77	N/A	N/A	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	9.52	-0.59	6.40	17.23	N/A	N/A	N/A
Class I (at NAV)	9.67	-0.44	6.54	17.49	N/A	N/A	N/A
BB High Yield Municipal Index	9.69	2.99	1.81	13.85	N/A	N/A	N/A